

MONTHLY *Business Review*

FEDERAL RESERVE BANK of CLEVELAND

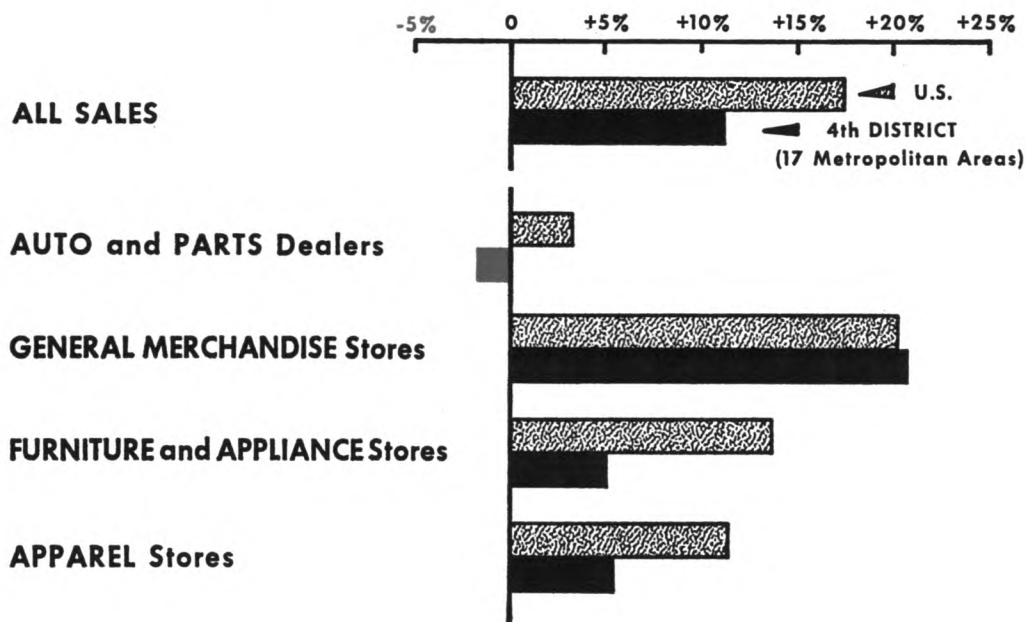
April, 1960

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RETAIL SALES

Percentage Change from 1954 to 1958



Local Trade Patterns: Census Showings

A CLOSE examination of local developments in trade is made possible twice in each decade by the publication of the comprehensive Census of Business taken by the U. S. Bureau of the Census for years ending in "4" and "8". With the recent release of the preliminary reports for the retail trade series of 1958, it is possible to outline some of the local patterns of retail trade that have developed within the Fourth Federal Reserve District during recent years.

The two census years, 1954 and 1958, which provided the working material for this comparative analysis, were both marked by recession lows and subsequent recoveries. The three intervening years were characterized by an economy that was in a generally expanding phase until the latter half of 1957. The subsequent downturn was more pronounced than the 1953-54 dip in both the nation and the Fourth District. In both recession periods, however, a greater impact on economic conditions was witnessed within the Fourth District than was evidenced nationally. This was a normal reaction largely attributable to the sizeable concentration in the District of recession-sensitive heavy industry, including primary metal, automotive, and metal products producers.

District vs. National Changes

The change in total retail sales between 1954 and 1958 showed a relatively stronger position for the country as a whole than that for the Fourth District. Reaching a total volume in 1958 of \$15,450 million, retail sales in the Fourth District were only 10 percent above the 1954 level as against a corresponding nationwide increase of more than 17 percent.⁽¹⁾ In the seventeen metropolitan areas reporting almost three-fourths of total Dis-

trict sales, dollar volume was up 11 percent, as shown on the cover chart.

A portion of the 1954-58 increases, both nationwide and Districtwide, may be ascribed to changes in prices which were, on the average for all consumer commodities in the nation, 5.5 percent greater in 1958 than in 1954. Although the extent of price changes varied for different types of commodities, the 5.5 percent price gain may be used as a very general guide in discounting the dollar volume to obtain a broad estimate of change in physical volume. Physical volume of sales in the District is thus estimated to have been approximately 4 percent greater in 1958 as contrasted with a gain of close to 11 percent in the nation.

The 1954-58 rise in retail sales was also due in part to the expansion of the population. Although the population growth for the Fourth District paralleled that of the nation with an increase of 7.5 percent, the District population change exceeded the estimated change in physical volume of sales. The District share of total United States retail trade by dollar volume dropped from 8.3 percent in 1954 to 7.7 percent in 1958. Per capita sales in the Fourth District, which had closely matched the corresponding figure for the U. S. in 1954, fell somewhat short of the U. S. figure four years later in 1958. In the latter year the District per capita figure was \$1,057; in the U. S. it was \$1,152.

A comparison of percentage change of sales by kinds of business establishments between the Fourth District metropolitan areas and the United States underscores the differential impact on retail trade of the 1957-58 adjust-

(1) The 1958 figures used for total retail sales and the distribution of sales by establishment groups for the United States as a whole are based on a preliminary release of the U. S. Bureau of the Census.

ments in business activity in a few categories. One of these, the auto group, representing about one-sixth of all sales, carries significant weight. (See Table 1.)

Although the general merchandise stores in the District registered a percentage gain about equal to that of the nation, there was a difference in their share of total sales. While stores in this group accounted for almost 15 percent of all District sales in 1958, they represented only 11 percent of total national sales. The percentage changes in sales for a combination of general merchandise stores, apparel stores, and furniture and appliance stores, on the other hand, showed a gain of almost 14 percent in the District against a 16 percent gain in the nation.

County Patterns

Within the District, changes in the dollar volume of retail trade at the county level, as recorded on the large map on page 5, indicate a wide diversity of performance. The

1954-58 percentage changes in sales, reflecting dissimilarities in local conditions, ranged from a gain of close to 100 percent, in Leslie County in southwestern Kentucky, to a decline of 26 percent, in Pike County, Ohio. Since the map indicates dollar volume changes, unadjusted for price differences, the counties having increases of up to 5 percent may actually have handled a lower volume of commodities in 1958 than in 1954. The counties which show a gain of 5 to 10 percent may be considered to have had only a slightly better trade situation in 1958 than in 1954. Counties with trade volume between 10 and 20 percent larger in the later census year may be described as average when compared with the District and national records of 10 and 17 percent, respectively. Gains of over 20 percent denote substantial differences in trade volume between the census years. Comparatively few counties experienced a smaller dollar volume of sales in 1958 than in 1954.

Outstanding on the map of changes by county is the large number of high percentage gains in Kentucky. The gains in Fayette and adjacent counties were associated with industrial expansion. Relatively higher payrolls in the mining or construction segments of the labor force, and in fewer cases in manufacturing, appear to be responsible for a relatively more favorable dollar volume of 1958 retail sales in many of the other Kentucky counties having sizeable gains. Boone County, Kentucky, adjacent to the counties included in the Cincinnati metropolitan area, experienced a population and trade growth associated with the Cincinnati area. In Pendleton County, bordering the same metropolitan area, the gain in trade corresponds to increases in total payrolls of workers employed in manufacturing and trade occupations.

Other than the counties in Kentucky, there were only seven in the District which had significant percentage increases in trade volume between 1954 and 1958. Lake and Geauga counties in northeastern Ohio have been experiencing rapid increases in population

Table 1
RETAIL SALES
BY KIND OF BUSINESS

	Percentage Change From 1954 to 1958	
	4th District Metropolitan Areas	United States
Gasoline Service Stations	+ 28%	+ 26%
Drug and Proprietary Stores	+ 24	+ 28
General Merchandise Stores	+ 21	+ 20
Food Stores	+ 16	+ 19
Eating and Drinking Places	+ 14	+ 13
Specialty Stores	+ 8	+ 10
Apparel Stores	+ 5	+ 11
Furniture and Appliance Stores	+ 5	+ 14
Lumber, Bldg. Materials, and Farm Equipment Stores	+ 0	+ 6
Auto and Parts Dealers	— 2	+ 3
Nonstore	— 3	+ 16
Total Sales	+ 11	+ 17

associated with the development of the Cleveland area. In three counties along the Ohio River, two in Ohio and one in West Virginia, the decline in rural populations has been offset by an increase in industrially-employed urban populations with undoubtedly higher per capita incomes. Union County, Ohio, directly northwest of Columbus, and Warren County in northern Pennsylvania also had high relative volumes of trade in 1958.

The counties which reported a poorer volume of trade in 1958 than in 1954 are, with the exception of one cluster, fairly well scattered. The cluster of counties in south central Ohio experienced a temporary expansion in employment in the early 'fifties during the construction of a large atomic energy plant. This gave rise to a high level of sales in 1954 relative to those in 1958. The relative decline in employment following the construction period was probably accentuated in Scioto County, on the Ohio River, by recession-induced unemployment and the generally declining farm economy of the area.

The relative declines in trade volume recorded in the three counties of northwestern Ohio may also be largely attributed to the indirect effects of contractions in industrial production during 1958 both within the counties and in the factories of the industrialized Fort Wayne area just west of the state boundary. Ashtabula County, in northeast Ohio, suffered a reduction in employee earnings in 1958 in response to the sharply reduced lake shipments of raw materials for primary metals producers.

The declines in sales volume in Kentucky counties may be associated with declining farm and mining economies, (Wolfe and Breathitt Counties), a poor tobacco-crop year in 1958 (Lawrence County), the discontinuance of an industrial plant (McCreary County), and a temporary enlargement of construction payrolls in 1954 (Jackson County).

The large majority of the counties had trade volumes in 1958 ranging up to 20 percent better than those in 1954. In the highly

industrialized counties there appears a correlation between the relative strength of retail trade in 1958 and the dependence of employment on heavy industries. In a number of the counties having a normally high percentage of employment in motor vehicle or vehicle parts industries, trade volume was only slightly better in 1958. Some of these were Lucas County (Toledo), where recession-induced employment cuts were aggravated by strikes, and Hamilton, Butler, and Clark counties in southwestern Ohio. However, many of the industrial counties had diversified sources of income, only part of which was reduced by the 1958 business adjustments. In such cases, declines in earnings in some industries were offset to a great extent by the stability of earnings in other lines of work, or by an expansion of the economic base. In such counties the volume of retail sales in 1958 ranged between 10 and 20 percent better than sales in 1954, the relative pattern previously described as "average".

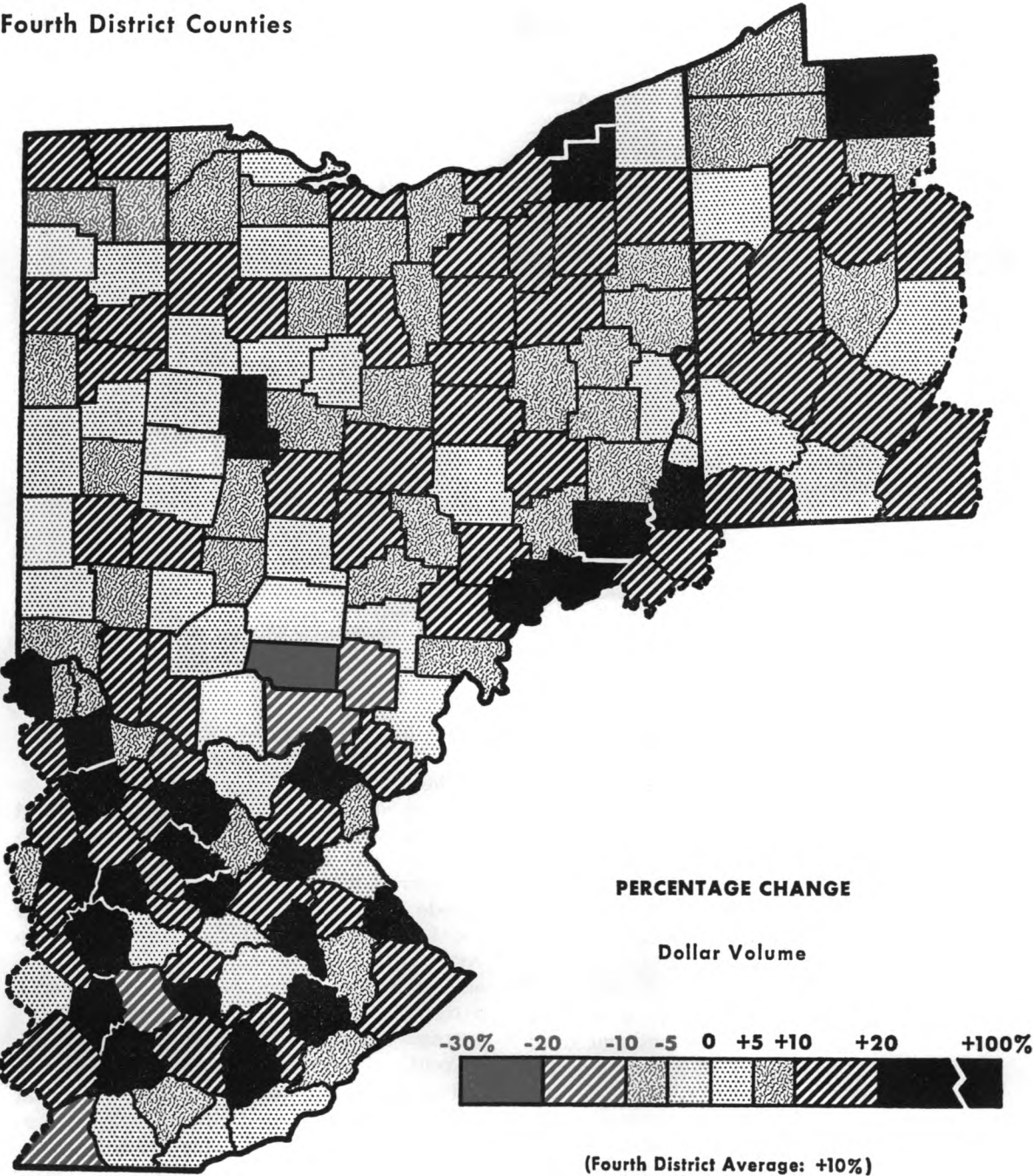
Many of the rural counties characterized by declining farm or coal mining economies showed only very slight or modest percentage gains in dollar volume of trade between the census years. Among these are a group in southern Kentucky, and a group in southeastern Ohio, where lightly industrialized counties interrupt the pattern, and scattered counties in western Pennsylvania, including Fayette County on the southern border, which for many years has been largely dependent upon coal mining.

Metropolitan Patterns

The patterns of retail trade within the metropolitan areas of the District exhibit clearly the relative shifts in growth from central cities to suburban communities.⁽²⁾ In Table 2, the 1954-58 percentage changes in dollar volume of sales are listed for each metropolitan area as a whole, and separately for central cities, other incorporated places, and the remaining unincorporated areas. The

(2) Note that the suburban communities referred to here lie within the standard metropolitan statistical areas, which are defined in census terms to include one or more entire counties.

**CHANGES IN RETAIL SALES,
1954 to 1958**
Fourth District Counties



Source of data: U.S. Bureau of the Census

Table 2
RETAIL SALES IN METROPOLITAN AREAS

Metropolitan Areas (Ranked according to volume of retail sales, 1958)	% Change 1954-1958				% of Area Sales, 1958		
	Total Area Sales	Central City	Other Inc. Places	Re- mainder	Central City	Other Inc. Places	Re- mainder
Pittsburgh, Pa.	+ 12	(1)	(1)	(1)	(1)	(1)	(1)
Cleveland, Ohio	+ 13	+ 6	+ 24	+ 106	65	31	4
Cincinnati, Ohio and Ky.	+ 7	+ 1	+ 1	+ 41	64	19	17
Columbus, Ohio	+ 16	+ 15	+ 42	+ 12	86	6	8
Dayton, Ohio	+ 10	+ 2	+ 18	+ 45	63	20	17
Akron, Ohio	+ 11	+ 2	+ 32	+ 59	68	22	10
Toledo, Ohio	+ 7	— 3	+ 90	+ 73	79	4	17
Youngstown, Ohio	+ 11	+ 2	+ 7	+ 48	48	32	20
Canton, Ohio	+ 13	+ 11	+ 7	+ 31	52	34	14
Wheeling-Steubenville, Ohio and W. Va.	+ 7	+ 1	+ 11	+ 18	48	36	16
Erie, Pa.	+ 4	+ 1	— 5	+ 29	71	11	17
Huntington-Ashland Ohio, Ky., and W. Va. (2)	+ 20	+ 21	+ 7	+ 36	74	14	12
Lorain-Elyria, Ohio	+ 10	+ 8	+ 5	+ 23	69	15	16
Hamilton-Middletown, Ohio	+ 5	+ 1	+ 12	+ 37	85	5	10
Lexington, Ky.	+ 29	+ 18	(3)	+ 148	84	(3)	16
Springfield, Ohio	+ 3	— 4	(3)	+ 50	82	(3)	18
Lima, Ohio	+ 13	+ 9	— 4	+ 37	77	5	18

(1) Detailed data for the Pittsburgh Metropolitan Area have not yet been released by the U. S. Bureau of the Census.

(2) The Huntington-Ashland Area includes two counties in West Virginia located in the Fifth Federal Reserve District.

(3) There are no reports from other incorporated places.

share of the metropolitan markets held by each of these community groups in 1958 is also listed as an aid in weighing the relative significance of the changes.

In the first column of the table, "Total Area Sales", it will be noted that the relationships between 1958 and 1954 sales ranged from a slight difference of plus 3 percent in the Springfield area to an increase of 28.5 percent in the Lexington area. Lexington was the only metropolitan area wholly within the District which had a percentage change in sales exceeding the 17 percent national gain. The Huntington-Ashland area registered a gain of 20 percent; however, most of this increase in trade took place in the portion of this metropolitan area located in the Fifth Federal Reserve District. The increase in

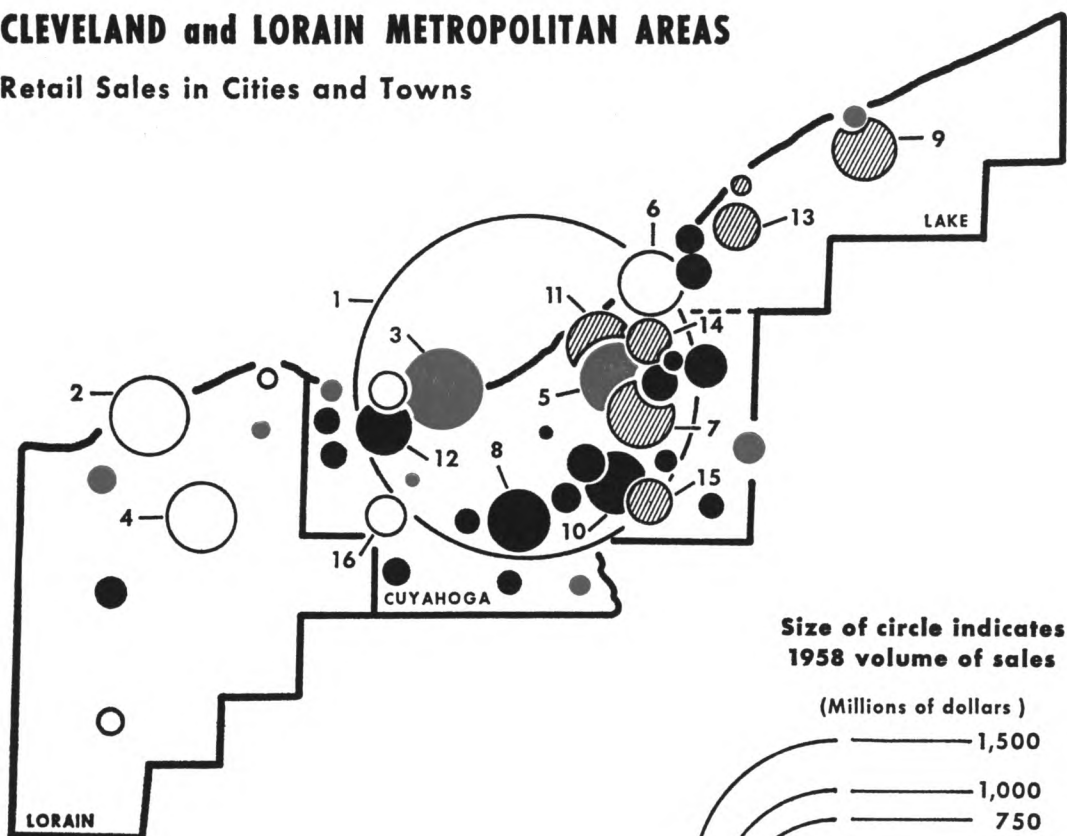
trade in the Columbus area was only one percentage point below the national figure.

The percentage gains for central cities (second column of Table 2) are for the most part considerably lower than the area averages; in two cases there were declines in dollar volume between the census years, i.e., in Toledo and Springfield. The central cities of the Lexington, Columbus, and Huntington-Ashland areas returned the highest percentage gains. The central city of Canton had a percentage gain in trade which equalled the average for all metropolitan area sales, 11 percent.

The trade changes for the sum of suburban cities and towns in each area ("Other incorporated places" in the table) varied widely from a plus 90 percent in the Toledo area to

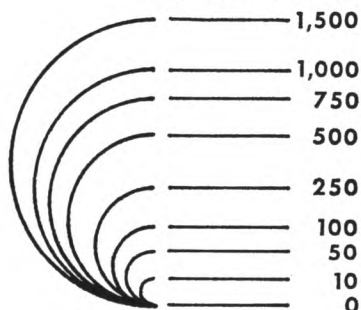
CLEVELAND and LORAIN METROPOLITAN AREAS

Retail Sales in Cities and Towns



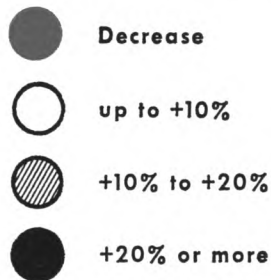
Size of circle indicates
1958 volume of sales

(Millions of dollars)

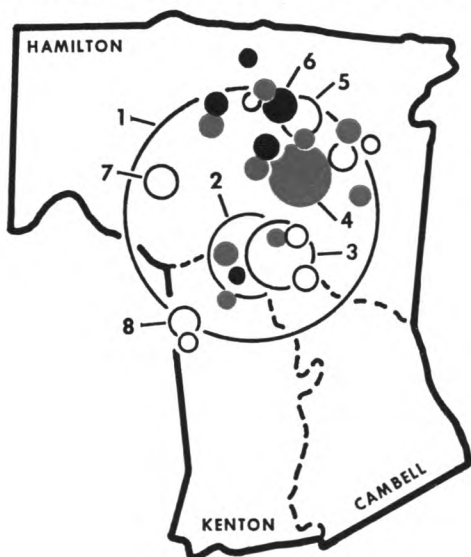


- 1- CLEVELAND, (city) O.
- 2- LORAIN, O.
- 3- LAKEWOOD, O.
- 4- ELYRIA, O.
- 5- CLEVELAND HEIGHTS, O.
- 6- EUCLID, O.
- 7- SHAKER HEIGHTS, O.
- 8- PARMA, O.
- 9- PAINESVILLE, O.
- 10- MAPLE HEIGHTS, O.
- 11- EAST CLEVELAND, O.
- 12- FAIRVIEW PARK, O.
- 13- WILLOUGHBY, O.
- 14- SOUTH EUCLID, O.
- 15- BEDFORD, O.
- 16- BEREA, O.

Color of circle indicates
change , 1954 to 1958

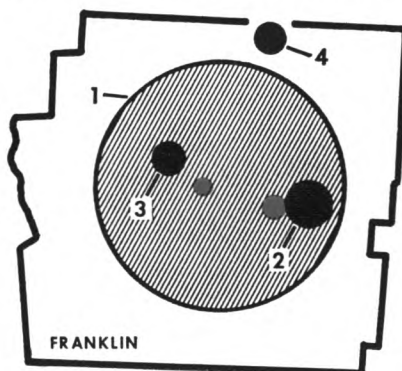


CINCINNATI METROPOLITAN AREA



- | | |
|-------------------|------------------|
| 1- CINCINNATI, O. | 5- READING, O. |
| 2- COVINGTON, KY. | 6- LOCKLAND, O. |
| 3- NEWPORT, KY. | 7- CHEVIOT, O. |
| 4- NORWOOD, O. | 8- ERLANGER, KY. |

COLUMBUS METROPOLITAN AREA



See Cleveland - Lorain Map for
explanation of circles

- | |
|------------------------|
| 1- COLUMBUS, O. |
| 2- WHITEHALL, O. |
| 3- UPPER ARLINGTON, O. |
| 4- WESTERVILLE, O. |

a minus 5 percent in the Erie area. Eight of the 15 metropolitan areas having commercial centers in this category revealed higher percentage gains in suburban cities and towns than in the central cities. The percentage gains in trade between 1954 and 1958 in the unincorporated portions of the metropolitan areas were consistently high.

Three maps show in greater detail the pattern of trade changes in cities and towns of four metropolitan areas: Cleveland and Lorain, Cincinnati, and Columbus. On these maps, each circle represents a city or town which had a population of 2500 or more in 1950, and is centered on the location of the political unit. (The perimeter of the circles should not be confused with political boundaries as the circle size represents the volume of retail sales in 1958.)

In the Cleveland area the principal growth was to the east and southeast of the central

city. The greatest changes were registered in Willowick, near the western boundary of Lake County, and in Solon in the southeast corner of Cuyahoga County. The percentage changes between 1954 and 1958 were 393 and 227 percent, respectively. The gain in Solon was closely associated with the introduction of new industry. Among the suburban communities, Maple Heights and Parma had the greatest increases in dollar volume of trade. Two large and older commercial centers, Lakewood and Cleveland Heights, suffered percentage losses in retail sales of 10 and 5 percent, respectively.

In the Cincinnati metropolitan area both the central city and suburban cities and towns showed a less favorable relative position of retail sales in 1958. With the exception of Newport and Covington in Kentucky, which had limited percentage gains of about 5 percent, and Norwood, an industrial en-

clave of Cincinnati which had an 18 percent loss, the suburban towns were characterized by small volumes of sales and revealed a mixed pattern of percentage changes between the two census years.

The Columbus area was one of the bright spots in the Fourth District retail picture of 1958. In the city of Columbus the dollar volume of increase between the two census years exceeded that of all other cities in Ohio. Suburban expansion of retail trade was noteworthy in Whitehall and Upper Arlington. Since the principal function of the central city of Columbus is government, its economy was little affected by the business recessions of the census years.

In the patterns of sales by kinds of business there was considerable variation from the 17-area averages. In all the metropolitan areas, retail sales in 1958 at food stores, service stations, and drug stores were consistently above those of 1954. The sales through service stations in Springfield, however, were up considerably less than in other areas. Springfield was also the only area where sales in the

general merchandise group in 1958 fell below the 1954 level.

Ten of the seventeen metropolitan areas suffered depressed auto market conditions of sufficient magnitude in 1958 to cause the dollar volume of auto and auto parts sales to drop below 1954 levels. Auto sales in Toledo were down by almost 20 percent; in Hamilton-Middletown, 16.5 percent; Erie, 13 percent; Cincinnati, 10.7 percent. At the other end of the scale, the two areas which showed greater strength in nearly all groups in 1958, Columbus and Lexington, also had large percentage gains in auto sales, amounting to 20 and 36 percent, respectively.

It should be remembered that comparisons of the volume of trade between two years, which are separated by a four-year interval, may or may not be coincident with the general rate or direction of growth. Sharp and episodic changes in the trade volume of a local area, a county or a smaller unit, are often characteristic of the areas having a highly specialized and therefore narrow economic base.

NOTES ON FEDERAL RESERVE PUBLICATIONS

"TREASURY-FEDERAL RESERVE STUDY OF THE GOVERNMENT SECURITIES MARKET"

Parts II and III of a study of the Government securities market which has been prepared jointly by the United States Treasury Department and the Federal Reserve System are now available.

Part II is a factual and analytical report on the performance of the Government securities market in 1958, including a speculative episode. Part III deals with specialized and technical subjects suggested by the informal consultations and the factual records of 1958. (Part I, published in July 1959, summarizes the informal consultations that were conducted with persons associated with or informed about the market.)

Copies of all three parts may be obtained now by writing to the Publications Section, Board of Governors of the Federal Reserve System, Washington 25, D. C. The price is \$1.00 for each part, or \$2.50 for the set of three. Complimentary copies are available to libraries and teachers at educational institutions upon request, if business addresses are provided.

Small Increase in Steel Capacity in 1959

THE 937,300 tons of steel-making capacity added by the nation's steel industry in 1959 was the smallest increase in recent years, representing a gain of only about 1 percent. By comparison, in 1955, which was also a year of recovery from recession, the industry added 2.6 million tons of capacity. Despite the smallness of the increase, steel capacity as of January 1, 1960, at 148.6 million tons, appeared to be more than adequate for the 120-125 million tons of output currently forecast for 1960.

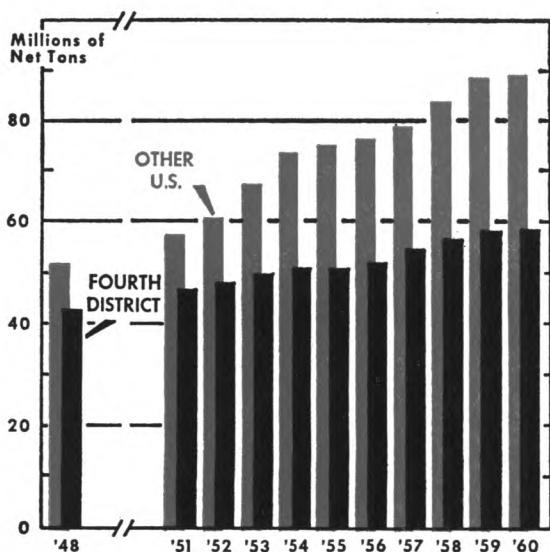
There were several reasons why the 1959 addition to steel ingot capacity was small. The first was the recession of 1957-58, which

caused a retrenchment in capital expenditures in industry generally. The other factors related specifically to the steel industry. After the very large expansions in basic steel capacity from 1956 through 1958, the industry devoted a larger share of its capital expenditures in 1959 to increasing and improving its finishing capacity, that is, the equipment which converts raw steel into the products used by steel consumers, such as sheets, strip, bars, and wire. Finally, construction work of all kinds at steel plants in 1959 was delayed by the steel strike.

The capacity of steel mills in the Fourth Federal Reserve District totalled 58.6 million tons as of January 1, 1960, indicating a net increase of only 75,000 tons during 1959. As a result of this small increase, which represented a gain of only one-tenth of one percent, the proportion of the nation's steel capacity accounted for by mills in the Fourth District declined further in 1959, as shown in the chart. Since 1948 the District's share of the total has shrunk from 45 percent to 39.4 percent, as steel capacity has expanded more rapidly in other sections of the nation, principally the Chicago area and the far west.

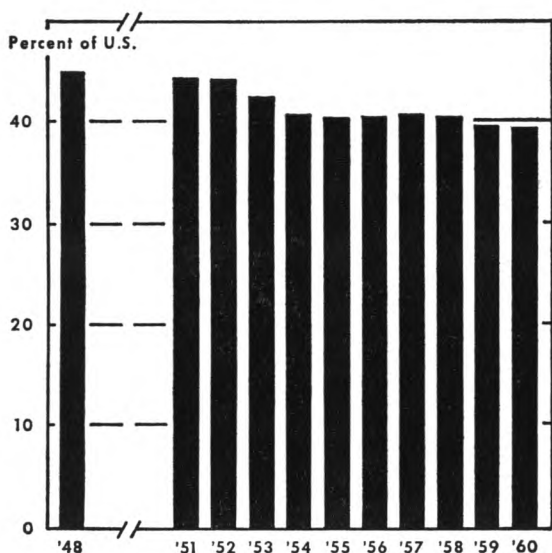
The decline in the District's share of national steel capacity in 1959 occurred despite the fact that the Pittsburgh area, the largest producing area, accounted for 60 percent of the national increase. For the District as a whole, the gain of about 500,000 tons of capacity in the Pittsburgh area was largely offset by reductions in installed capacity at Youngstown and Portsmouth, Ohio. In terms of individual plants in the District, 1959 changes in capacity ranged from an increase

STEEL INGOT CAPACITY
January 1 of each year



FOURTH DISTRICT SHARE OF NATION'S STEEL CAPACITY

January 1 of each year



of 172,000 tons at Munhall, Pennsylvania, to a decline of 500,000 tons at Portsmouth. Large increases were made at mills in Aliquippa, Pittsburgh, Monessen, and Farrell, all in Pennsylvania, and at Lorain, Ohio, while a substantial reduction occurred at one mill in Youngstown.

Largest Increase in Electric Furnaces

Nationally, additional electric furnace capacity installed in 1959 amounted to 900,000

tons, or virtually all of the net increase in capacity. The much smaller increases in basic oxygen furnace and open-hearth capacity were partly offset by a further reduction in Bessemer furnace capacity. One mill in the District accounted for almost all of the national increase in basic oxygen capacity, and all of the change in Bessemer capacity took place within the District, which contains almost 90 percent of the national capacity of this type of furnace.

Following the national trend, the largest part of the increase in District steel capacity was in electric furnace capacity. Specialty steel producers in the Pittsburgh area accounted for most of the additional electric furnace capacity in the District. Even after these additions, however, the Canton-Warren area contains the largest concentration of this type of steel capacity in the District.

Some indication that the basic steel capacity of the nation will be expanded somewhat more in 1960 than in 1959 is provided by the expansion plans announced by major steel producers and, in addition, the latest estimates of plant and equipment spending for 1960 reported to the Department of Commerce and the Securities and Exchange Commission. According to those data, the iron and steel industry anticipates spending 50 percent more for plant and equipment in 1960 than it spent in 1959. Because of the large amount of excess steel ingot capacity, however, it seems unlikely that additions to basic steel capacity will be as large in 1960 as the 1956-58 average.

Around the Fourth District—

BANK DEBITS IN MARCH

(11 Medium-size Cities, Fourth District)

		March 1960 % change from year ago	3 mos. ended March 1960 % change from year ago
Lexington	Ky.	+26%	+24%
Warren	Ohio	+18	+16
Wheeling	W. Va.	+12	+ 8
Mansfield	Ohio	+10	+13
Springfield	Ohio	+ 9	+ 5
Lima	Ohio	+ 7	+ 9
Hamilton	Ohio	+ 7	+ 8
New Castle	Pa.	+ 5	+ 7
Covington-Newport	Ky.	+ 4	+ 5
Zanesville	Ohio	+ 3	+ 9
Middletown	Ohio	+ 1	+ 2

* * *

Several barometers of *Cleveland business* responded quickly to the long-awaited break in the weather that came in the last week of March. Automobile sales were vigorous and spring residential construction expanded briskly. Although unemployment has apparently not yet started to decline, the rate of increase in claims was considerably reduced.

* * *

Responding to better weather and the approach of Easter, *department store sales* in the Fourth District made a sharp spurt early in April. The unadjusted sales figure for the week ended April 2 was 32% greater than the year-ago week. After allowance for the differences in the date of Easter, the effective margin over the year-ago week may be estimated as 18%.

* * *

Reports by Fourth District department stores for February show that *instalment sales* were 11% larger than during the year-ago month. Cash sales and charge-account sales were up from a year earlier by 3% and 2%, respectively.

* * *

Commercial and industrial loans at 26 weekly reporting banks in the Fourth District advanced \$2 million during the last week of March, marking the fifth consecutive weekly increase. Trade establishments were the largest net borrowers during the week.

The above items are based on various series of District or local data, which are assembled by this bank and distributed upon request in the form of mimeographed releases.)